

HOUSE BILL REPORT

SSB 5616

As Reported by House Committee On:
Higher Education

Title: An act relating to connecting business expansion and recruitment to customized training.

Brief Description: Connecting business expansion and recruitment to customized training.

Sponsors: Senate Committee on Economic Development, Trade & Innovation (originally sponsored by Senators Shin, Kastama and Kilmer).

Brief History:

Committee Activity:

Higher Education: 3/6/09, 3/24/09 [DP].

Brief Summary of Substitute Bill

- Permits employer payments to the Customized Training Program (CTP) Employment Training Finance Account to be delayed for up to 18 months.
- Changes the requirement imposed upon participating CTP employers to increase employment from a set numerical target to "good faith" efforts.
- Requires training institutions to make good faith efforts to use trainers preferred by participating employers.
- Permits the State Board for Community and Technical Colleges to expend up to \$75,000 for training, marketing, and facilitation services to increase the use of the CTP.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass. Signed by 6 members: Representatives Wallace, Chair; Sells, Vice Chair; Carlyle, Driscoll, Grant-Herriot and White.

Minority Report: Without recommendation. Signed by 5 members: Representatives Anderson, Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Angel, Haler and Hasegawa.

Staff: Cece Clynch (786-7195)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

The Washington Customized Training Program (CTP) was created in 2006 to provide training assistance to businesses locating new jobs or expanding jobs in the state. The State Board for Community and Technical Colleges (SBCTC) administers the CTP. Training is provided by community, technical, or private career colleges. Employers are expected to increase their employment in the state by an amount equal to at least 75 percent of the total number of trainees in the training program.

Under the CTP, the employer, the training institution, and the SBCTC execute a written contract. The SBCTC pays the training institution, up front, for the customized training. After training is completed, the employer and the training institution jointly submit a Trainee Report to the SBCTC and the employer immediately repays 25 percent of the costs of training into the Employment Training Finance Account. Repayment of the remaining 75 percent is spread over the next 18 months. No interest is charged. One year after training is completed, the employer must submit a Job Growth Report to the SBCTC.

After an employer makes the initial 25 percent payment to the SBCTC, the employer may take a state business and occupation (B&O) tax credit equal to half of that amount. As the employer pays off the remainder of the training costs, the employer may continue to take tax credits equal to 50 percent of the repayment amount. If the employer does not increase its employment by at least 75 percent of the total number of trainees, the employer must remit to the Department of Revenue (DOR) the value of any credits taken plus interest.

To date, 13 CTP contracts have been executed. The total amount of the contracts was \$423,452. At the time of contracting, the participating employers employed a total of 2,259 employees, planned to train a total of 400 trainees, and projected job growth of 500 positions. Five Job Growth Reports have been received and indicate a total of 218 new jobs. Two Job Growth Reports are currently due and six are not yet due.

A participating employer who takes the tax credit must complete and file a survey with the DOR regarding employment information. The DOR is charged with reporting job creation information to the Legislature in December 2011. The CTP expires on July 1, 2012.

Summary of Bill:

During 2009 and 2010, participating employers may delay payments due to the Employment Training Finance Account for up to 18 months.

The requirement that employers must increase employment in the state by an amount equal to at least 75 percent of the total number of trainees in their training program in order to avoid having to remit the value of any tax credits is removed. Instead, employers must make good faith efforts to hire from the pool of trainees in the employer's training program. The SBCTC is to determine whether good faith efforts have been made.

Training institutions must make good faith efforts to develop training programs using trainers preferred by the participating employer.

The SBCTC is charged with ensuring a seamless process toward participation in the CTP for those employers who have requested training under the Job Skills Program but have not been able to participate in that program due to a lack of funding.

Up to \$75,000 in the Employment Training Finance Account may be used by the SBCTC for training, marketing, and facilitation services to increase the use of the CTP.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Given today's economic situation, there is a need to delay repayment. This bill will help by allowing business employers time to recover economically. The customized training program works with manufacturers in the state to make them more efficient and competitive. A Ferndale orthotics firm provides a good example of the benefits of the program. This firm has 160 employees and manufactures orthotics for disabled children. It has taken advantage of computer technology so that measurements can be taken anywhere in the world and then transmitted to Ferndale, allowing the firm to expand worldwide. In the past, the firm would have had to establish a factory in other states and countries but this is no longer necessary. The firm's workforce needed to get training and education and this customized training program enables that sort of training. Employers can get the training for their workforces without worrying about immediate repayment of the cost of the training. Current law requires new job creation of 75 percent of the total number trained. This is a tough metric to meet, particularly if the employer wants to train the entire workforce. There is a need to grow and expand this customized training program. Allowing the SBCTC to expend up to \$75,000 for training and marketing will facilitate this growth through greater outreach. The changes proposed in the bill make sense and will make the program more accessible.

(Opposed) None.

Persons Testifying: Senator Shin, prime sponsor; Ron Newbry, Washington Manufacturing Services; Carol Melby, State Board for Community and Technical Colleges; Bryan Wilson, Workforce Training and Education Coordinating Board; Amber Carter, Association of Washington Business; and Steve Lindstrom, Northwest Career Colleges.

Persons Signed In To Testify But Not Testifying: None.